

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01

L-02 H-02 PA-02 PRS-01 USIA-15 /110 W

----- 005679

R 021842Z MAY 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 9824

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 02 BONN 07157

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING APRIL 30 --

MAY L IS A GERMAN HOLIDAY)

REF.: BONN 6649

1. MONEY SUPPLY: DURING MARCH THE NARROWLY DEFINED
MONEY SUPPLY (M1) INCREASED BY DM 4.4 BILLION WHILE THE
WIDELY DEFINED MONEY SUPPLY (M2) DECLINED BY DM 4.6
BILLION. THESE DEVELOPMENTS WERE APPARENTLY DUE TO A
SHIFT FROM TIME DEPOSITS TO SIGHT AND SAVINGS DEPOSITS.
DURING THE LAST HALF YEAR, ON A SEASONALLY ADJUSTED
BASIS AND AT ANNUAL RATES, M1 INCREASED BY 13.8 PERCENT
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WHILE M2 ROSE ONLY BY 2.5 PERCENT. AT THE END OF MARCH

1975 M1 WAS 12.3 PERCENT ABOVE LAST YEAR'S VOLUME WHILE M2 WAS ONLY 1.7 PERCENT HIGHER. THE EXTENSION OF BANK CREDITS TO DOMESTIC NON-BANKS ACCELERATED IN MARCH. BOTH THE PRIVATE SECTOR (PLUS DM 4.9 BILLION) AND PUBLIC AUTHORITIES (PLUS DM 1.6 BILLION) INCREASED THEIR BORROWINGS FROM BANKS. MONIES INVESTED IN SAVINGS ACCOUNTS AND SAVINGS BONDS REACHED A NEW MONTHLY RECORD. THIS WAS IN PART ATTRIBUTABLE AGAIN TO A SHIFT FROM TIME DEPOSITS (WITH MATURITIES UP TO 4 YEARS) TO SAVINGS DEPOSITS DUE PRINCIPALLY TO THE DECLINE IN INTEREST RATES FOR TIME DEPOSITS. DURING MARCH THE INDIVIDUAL DETERMINANTS AND COMPONENTS OF THE MONEY SUPPLY DEVELOPED AS FOLLOWS:

	1975	1974	
	MARCH	FEB.	MARCH

BANK LENDING TO DOMESTIC NON-BANKS	6.5	1.0	2.5
NET EXTERNAL ASSETS OF BANKS (INCL. BUNDESBANK)	0.6	5.9	-0.2
SAVINGS DEPOSITS AND SAVINGS BONDS	5.7	5.0	-0.2
TIME DEPOSITS (1) AND OUTSTANDING BANK BONDS (2)	1.6	3.0	0.7
OFFICIAL ASSETS HELD AT CENTRAL BANK	-0.6	0.2	1.6
OTHERS	-5.0	0.8	-3.0

MONEY SUPPLY (M2)	-4.6	-0.5	-2.8
OF WHICH: CURRENCY IN CIRCULATION AND SIGHT DEPOSITS (M1)	4.4	0.3	#1.9
TIME DEPOSITS WITH MATURITIES UP TO 4 YEARS	-9.0	-0.8	-4.7

(1) WITH MATURITIES OF 4 YEARS AND MORE.
(2) EXCLUDING BONDS HELD BY BANKS.

2. FOREIGN EXCHANGE MARKET: DURING THE REPORTING WEEK SPOT AND FORWARD DOLLARS DEVELOPED AS FOLLOWS:

FORWARD DOLLARS
(DISCOUNTS IN PCT.P.A.)

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SPOT DOLLARS ONE-MONTH THREE-MONTH

APR 25	DM 2.3765	-1.8	-2.3
28	2.3945	-1.3	-2.2
29	2.3855	-1.0	-2.1
30	2.3780	-1.5	-2.4

WITHIN THE JOINT FLOAT THE DEUTSCHEMARK REMAINED THE

WEAKEST CURRENCY. SWEDISH CROWNS, BELGIAN FRANCS AND IN THE COURSE OF THIS WEEK ALSO DUTCH GULDERS AND DANISH CROWNS WERE AT OR NEAR THEIR DEUTSCHEMARK UPPER INTERVENTION POINTS.

3. MONEY MARKET: THE HALF PERCENT REDUCTION OF THE LOMBARD RATE ANNOUNCED ON APRIL 24 (SEE BONN 6649) HAD

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INFO OCT-01 EA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

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L-02 H-02 PA-02 PRS-01 USIA-15 /110 W

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R 021842Z MAY 75

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TO SECSTATE WASHDC 9825

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MINOR EFFECT ON THE MONEY MARKET. FOR MOST OF THE REPORTING WEEK THE CALL MONEY RATE REMAINED AT OR ABOVE THE CURRENT 6 PERCENT LOMBARD RATE. DURING THE REPORTING WEEK FRANKFURT INTERBANK MONEY RATES DEVELOPED

AS FOLLOWS:

CALL MONEY ONE-MONTH MONEY THREE-MONTH MONEY

APR 25	6.0-6.2	4.9-5.2	4.8-5.1
28	6.0-6.5	5.0-5.3	4.9-5.2
29	6.0-6.7	4.9-5.2	4.9-5.1
30	5.6-6.1	4.9-5.1	4.9-5.1

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4. BUNDESBANK FOREIGN POSITION: IN THE THIRD WEEK OF APRIL (APRIL 16-23) THE NET FOREIGN POSITION OF THE BUNDESBANK DECLINED BY DM 0.7 BILLION TO DM 84.1 BILLION LARGELY REFLECTING FURTHER SALES OF FOREIGN EXCHANGE BY THE BUNDESBANK FOR INTERVENTION PURPOSES. HOLDINGS OF LIQUID FOREIGN EXCHANGE DECLINED BY DM 590 MILLION AND GERMANY'S IMF GOLD TRANCHE POSITION BY DM 9 MILLION. GROSS LIABILITIES INCREASED BY ABOUT DM 100 MILLION.

5. BANK LIQUIDITY: IN THE THIRD WEEK OF APRIL BANK LIQUIDITY DECLINED BY DM 0.9 BILLION. THE MAJOR FACTOR REDUCING LIQUIDITY WERE PAYMENTS FOR THE INOR MID-APRIL TAX DATE RESULTING IN AN INCREASE IN OFFICIAL NET ASSETS HELD AT THE BUNDESBANK OF DM 6.8 BILLION. THE ABOVE-MENTIONED DECLINE IN THE BUNDESBANK'S NET FOREIGN POSITION AND OTHER FACTORS (DM 0.1 BILLION, NET) REDUCED LIQUIDITY FURTHER. LIQUIDITY WAS INCREASED BY THE USUAL DECLINE IN CURRENCY IN CIRCULATION IN THE THIRD WEEK OF A MONTH (DM 2.0 BILLION) AND A DM 4.7 BILLION REDUCTION IN THE BANKS' HOLDINGS OF RESERVES AT THE BUNDESBANK. THE BANKS FINANCED THE LIQUIDITY LOSS BY INCREASING LOMBARD BORROWINGS BY DM 1.1 BILLION. AT THE SAME TIME THEY REDUCED REDISCOUNT BORROWINGS BY DM 0.2 BILLION.

6. BOND MARKET: DURING THE REPORTING WEEK THE FAZ AVERAGE YIELDS TO MATURITY OF OUTSTANDING DOMESTIC BONDS DEVELOPED AS FOLLOWS:

8 PERCENT 7 PER-ENT 6 PERCENT

APR 25	8.88	8.98	8.48
28	8.86	8.98	8.50
29	8.86	8.96	8.49
30	8.87	8.96	8.49

ON APRIL 30 THE FEDERAL RAILWAYS OFFERED A DM 540 MILLION LOAN (COUPON 8 1/4 PERCENT, ISSUE PRICE 98.5, MATURITY 8 YEARS NON-CALLABLE, YIELD TO MATURITY 8.52 PERCENT). DM 500 MILLION OF THE LOAN WERE PUBLICLY

OFFERED, THE REMAINING DM 40 MILLION WERE RESERVED FOR
BUNDESBANK OPEN MARKET PURPOSES. THE COUPON OF THE
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LOAN (AND THEREWITH ITS YIELD TO MATURITY) IS 1/4
PERCENT LOWER THAN THAT OF PREVIOUSLY OFFERED PUBLIC
LOANS. HOWEVER, DESPITE THE REDUCED COUPON THE LOAN
WAS REPORTEDLY FAVORABLY RECEIVED BY THE MARKET. NORWAY
IS CURRENTLY OFFERING A DM 100 MILLION LOAN (COUPON
8 1/4 PERCENT, ISSUE PRICE 100, MATURITY 5 YEARS NON-
CALLABLE). ON MAY 7 THE CITY OF BERGEN (NORWAY) WILL
OFFER A DM 30 MILLION LOAN (COUPON 8 3/4 PERCENT,
AVERAGE MATURITY 8 YEARS, ISSUE PRICE TO BE DECIDED
SHORTLY BEFORE DATE OF ISSUE). ON MAY 30 THE AUSTRIAN
AMTSSITZ- UND KONFERENZZENTRUM AG, WIEN (RESIDENCE AND
CONFERENCE CENTER AG, VIENNA) WILL OFFER A DM 60 MILLION
LOAN (COUPON 8 3/4 PERCENT, ISSUE PRICE 100, MAXIMUM
MATURITY 10 YEARS). IN THE FIRST FOUR MONTHS OF THIS
YEAR DEUTSCHEMARK DEONOMINATED FOREIGN LOANS (INCLUDING
PRIVATE PLACEMENTS) REACHED THE RECORD VOLUME OF DM 3.3
BILLION; IN THE FULL YEAR OF 1974 OFFERINGS OF SUCH LOANS
OFFER A DM 30 MILLION LOAN (COUPON 8 3/4 PERCENT,
AVERAGE MATURITY 8 YEARS, ISSUE PRICE TO BE DECIDED
SHORTLY BEFORE DATE OF ISSUE). ON MAY 30 THE AUSTRIAN
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PRIVATE PLACEMENTS) REACHED THE RECORD VOLUME OF DM 3.3
BILLION; IN THE FULL YEAR OF 1974 OFFERINGS OF SUCH LOANS
AMOUNTED TO DM 0.6 BILLION.
HILLENBRAND

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCIAL TRENDS, CURRENCY STABILITY, FINANCIAL DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 02 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BONN07157
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750155-0085
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750583/aaaacyjj.tel
Line Count: 260
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 14 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 JUL 2003 by maginmm>; APPROVED <17 FEB 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL DEVELOPMENTS (WEEK ENDING APRIL 30 -- MAY 1 IS A GERMAN HOLIDAY)
TAGS: EFIN, GE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006